

Message Text

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PAGE 01 COPENH 00798 191743Z

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 NSC-05 CIEP-02

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TO SECSTATE WASHDC 609

INFO USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EFIN, DA

SUBJ: STATEMENTS ON REVALUATION OF GOLD HOLDINGS

REF: STATE 60708#

1. TO OUR KNOWLEDGE, NO RPT NO PUBLIC STATEMENTS HAVE BEEN MADE BY DANISH GOVERNMENT OFFICIALS REGARDING REVALUATION OF GOLD HOLDINGS.

2. DANISH GOLD HOLDINGS OF CLOSE TO TWO MILLION OUNCES ARE INCLUDED IN OFFICIAL FOREIGN EXCHANGE RESERVES AT A BOOK VALUE OF APPROXIMATELY \$44.71 PER OUNCE OR A TOTAL VALUE OF 63 MILLION SDRS. REVALUATION TO CUREENT MARKET VALUE (\$178.50) WOULD APPROXIMATELY QUADRUPLE BOOK VALUE AND TECHNICALLY IMPROVE RESERVE POSITION BY 190 MILLION SDRS.

3. ALTHOUGH DENMARK'S LARGE BALANCE OF PAYMENTS DEFICIT, PARTLY OIL-PRICE INFLICTED, WAS MITIGATED IN LATTER PART OF 1974 AND EARLY 1975,
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PAGE 02 COPENH 00798 191743Z

NET CAPITAL INFLOWS WERE ALSO MODERATED. CON-

SEQUENTLY, RESERVE POSITION DETERIORATED FROM
PEAK OF 1086 MILLION SDRS BY YEAR END 1973 TO
813 MILLION SDRS BY END OF FEBRUARY 1975. IT
MAY BE ASSUMED, THEREFORE, THAT 23 PERCENT BOOST
OF RESERVES RESULTING FROM GOLD REVALUATION
COULD BE POLITICALLY WELCOME, BUT WE HAVE NO
RPT NO CONFIRMATION OF THIS ASSUMPTION BY GOVERN-
MENT OR CENTRAL BANK OFFICIALS.

4. IT IS GENERALLY KNOWN THAT PRESENT DANISH
CENTRAL BANK GOVERNORSHIP FAVORS DEMONETIZATION
OF GOLD, AND THAT THIS ATTITUDE HAS BEEN REFLECTED
IN DANISH POSITIONS IN EC. HOWEVER, CONSIDER-
ING THAT GOLD HOLDINGS ARE ALREADY MEASURED
INTERNATIONALLY, FOR EXAMPLE BY IMF, AT UNIFORM
RATES, THE DANISH CENTRAL BANK DOES NOT RPT
NOT FEEL THAT AN ADJUSTMENT OF THE BOOK VALUE
OF ITS GOLD HOLDINGS WOULD HAVE ANY EFFECT UPON
DENMARK'S INTERNATIONAL STANDING.
CROWE

NOTE BY OCT: (#) APPARENTLY INCORRECT REFERENCE.

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